

Message Text

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC IMMEDIATE 711

C O N F I D E N T I A L PRAGUE 2163 SECTION 1 OF 2

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EFIN, CZ

SUBJECT: PRIME MINISTER DISCUSSES GOLD/CLAIMS MATTERS

BEGIN SUMMARY: PRIME MINISTER STROUGAL, DURING A ONE-HOUR DISCUSSION WITH ME JULY 27 EXPRESSED GOC POSITION ON GOLD/ CLAIMS QUESTION. BASIC ELEMENTS ARE:

1. NECESSITY FOR USG (RATHER THAN SCOTT) TO ADVANCE PROPOSAL.
2. NECESSITY FOR SOME GUARANTEE THAT ANY AGREEMENT REACHED WILL NOT BE AGAIN BROKEN.
3. CONSIDERATION OF MODALITIES OF PAYMENT AND TRANSFER MUST BE PART OF NEGOTIATIONS.
4. QUESTION OF MFN MUST AT LEAST BE CONSIDERED, IF NOT ACTUALLY MADE PART OF AGREEMENT.

IN WHAT WE BELIEVE IS FIRST AUTHORITATIVE CZECHOSLOVAK STATEMENT ON SUBJECT, STROUGAL ADMITTED THAT AMOUNT OF PAYMENT IS "NEGOTIABLE." END SUMMARY.

1. PRIME MINISTER STROUGAL RECEIVED ME AFTERNOON OF JULY 27. OUR DISCUSSION LASTED A FULL HOUR, AND WAS CONCERNED PRIMARILY WITH THE QUESTION OF GOLD/CLAIMS. AFTER A FEW GENERAL ALLUSIONS TO BILATERAL PROBLEMS, STROUGAL SAID I WAS OF COURSE AWARE THAT
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PRIMARY PROBLEM--"UNRESOLVED IN 31 YEARS"--WAS CLAIMS/GOLD.

HE NOTED THAT IT HAD BEEN TWO YEARS SINCE THE INITIALING OF OUR AGREEMENT AND COMMENTED THAT, SINCE CERTAIN PROPOSAL HAD BEEN MADE, BUT THAT THESE DIFFERED CONSIDERABLY FROM THE ORIGINAL AGREEMENT, THAT TAKEN AS A WHOLE THEY COULD HARDLY BE THE BASIS FOR A NEW AGREEMENT, AND THAT IN ANY CASE THEY HAD ONLY BEEN MADE BY A PRIVATE PARTY. THESE PROPOSALS "MADE IT DIFFICULT TO START NEW NEGOTIATIONS"--AN EVIDENT REFERENCE TO BOTH DIFFICULTIES OF NEGOTIATING IN UNOFFICIAL CHANNELS AND TO ARRIVING AT AGREED FINAL SETTLEMENT. IN THE CZECHOSLOVAK VIEW, PROPOSALS FOR RENEGOTIATION SHOULD BE SUBMITTED BY USG, BUT MUST DIFFER IN SOME RESPECTS FROM THOSE SUBMITTED BY SCOTT. THE PRIME MINISTER WENT ON TO DISCUSS THE OTHER RESTRICTIONS OF THE TRADE ACT AND THE WAY IN WHICH THEY RESTRICTED THE DEVELOPMENT OF US/CZECHOSLOVAK TRADE. HE FELT THAT NOW WAS THE TIME TO ACT.

2. I THANKED THE PRIME MINISTER FOR HIS FRANK STATEMENT AND NOTED THAT WHILE IT WAS TRUE THAT AN AGREEMENT HAD BEEN INITIALED IN GOOD FAITH BY THE STATE DEPARTMENT, IT WAS ALSO TRUE THAT UNDER OUR SYSTEM OF GOVERNMENT, THE CONGRESS DOES HAVE A ROLE AND ITS VIEW MUST BE TAKEN INTO ACCOUNT. WHILE CONGRESS HAD BEEN PREPARED TO PERMIT THE RETURN OF THE GOLD, THERE WAS STRONG FEELING THAT FULL COMPENSATION SHOULD BE PAID TO OUR CITIZENS. WHILE MR. SCOTT HAD INFORMED US OF THE PROPOSALS WHICH HE HAD MADE, THE PRIME MINISTER WAS CORRECT IN STATING THAT WE HAD NOT BEEN OFFICIALLY INVOLVED. I NOTED, HOWEVER, THAT SCOTT REPORTEDLY HAD RECEIVED LETTERS FROM SENATORS LONG AND GRAVEL AGREEING TO HIS PROPOSAL. I WAS PERSONALLY SOMEWHAT SURPRISED AT WHAT SEEMED TO ME TO REPRESENT QUITE A STEP BACKWARD IN MOVING FROM A DEMAND FOR 100 PERCENT TO ONLY 50 PERCENT. I STRONGLY EMPHASIZED THAT IN MY OPINION IT WOULD BE VERY DIFFICULT TO GET THE CONGRESS TO AGREE TO A STILL LOWER FIGURE THAN THAT PROPOSED BY SCOTT. I WOULD IMMEDIATELY REPORT THE PRIME MINISTER'S REMARKS, HOWEVER, AND THE DESIRE OF THE GOC TO PROCEED WITH TALKS IN OFFICIAL CHANNELS.

3. STROUGAL STATED THAT IT WAS NECESSARY FOR THE GOC TO HAVE THE VIEWS OF THE U.S. ADMINISTRATION. THEY COULD NOT NEGOTIATE WITH THE CONGRESS. THE GOC WOULD, THEREFORE, LIKE TO HAVE PROPOSALS ADVANCED BY THE STATE DEPARTMENT, WHICH IT WOULD STAND BEHIND. HE NOTED THAT NOT ONLY THE AMOUNT OF PAYMENT, BUT ALSO

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THE MODALITIES OF PAYMENT AND OF THE TRANSFER OF THE GOLD MUST ALSO BE INCLUDED. SINCE THE LONG-GRAVEL AMENDMENT TIED THE GOLD/CLAIMS ISSUE TO THE TRADE ACT, THE GOC FELT THAT THE ACT ITSELF AND THE QUESTION OF MFN SHOULD BE CONSIDERED. ALTHOUGH HE REALIZED IT WAS A DIFFICULT QUESTION, THE PRIME MINISTER STATED THAT THE GOC COULD HARDLY MOVE FORWARD TOWARD AN AGREEMENT WITHOUT SOME GUARANTEE THAT IT WOULD IN FACT BE ACCEPTED. THEY WOULD THEREFORE LIKE AN INITIATIVE FROM THE STATE DEPARTMENT WITH ASSURANCES

THAT THE CONGRESS WOULD ACCEPT THEM. HE THEN SAID THAT HE WOULD TELL ME OPENLY THAT "WE ARE WILLING TO NEGOTIATE THE FIGURE BUT THAT THAT IS NOT THE ONLY QUESTION."

4. I TOLD THE PRIME MINISTER THAT WHILE I UNDERSTOOD HIS PROBLEM, IT WOULD BE IMPOSSIBLE TO GIVE AN ABSOLUTE GUARANTEE OF ACCEPTABILITY. I WOULD CERTAINLY HOPE, HOWEVER, THAT WE WOULD HAVE A SENSE OF WHAT THE CONGRESS WOULD APPROVE BEFORE PRESENTING A SPECIFIC PROPOSAL. I SUGGESTED THAT THE QUESTION OF MFN MIGHT BETTER BE CONSIDERED SEPARATELY IN A STEP-BY-STEP APPROACH AND ASKED IF THE GOC POSITION WAS ADAMANT THAT MFN HAD TO BE CONSIDERED AS PART OF A PACKAGE. I NOTED THAT WE DID NOT YET HAVE A FIRM LEGAL OPINION AS TO WHETHER THEY NECESSARILY HAD TO BE CONSIDERED SIMULTANEOUSLY.

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5. INTERESTINGLY, STROUGAL THEN BACKED OFF SOMEWHAT, REPLYING THAT GOC WOULD OF COURSE FAVOR A "REALISTIC APPROACH." HE THUS COULD NOT ANSWER IMMEDIATELY WHETHER GOC WOULD FAVOR A PACKAGE OR A STEP-BY-STEP APPROACH. THAT WOULD DEPEND ON THE CONTENT OF USG PROPOSALS. HIS "PERSONAL VIEW", HOWEVER, WAS THAT IT WOULD BE NECESSARY TO DISCUSS THE QUESTION DURING OUR NEGOTIATIONS. HE ALSO REALIZED THAT "ABSOLUTE" GUARANTEES MIGHT BE IMPOSSIBLE; THE GOC WOULD NEVERTHELESS REQUIRE SOME GUARANTEES.

6. I TOLD THE PRIME MINISTER THAT I NEVER DELIBERATELY MISLED ANYONE. I WOULD THEREFORE HAVE TO EMPHASIZE ONCE AGAIN THAT I COULD NEVER GUARANTEE A CONGRESSIONAL VOTE.

7. STROUGAL NOTED DURING CONVERSATION THAT RESOLUTION OF CLAIMS/GOLD PROBLEM COULD LEAD TO PROGRESS ON OTHER BILATERAL PROBLEMS SPECIFICALLY MENTIONED "REUNIFICATION OF FAMILIES."

8. COMMENT: I WAS STRUCK BY THE APPARENTLY STRONG DESIRE OF GOC TO RESOLVE THE CLAIMS/GOLD PROBLEM, AS REFLECTED BY THE SERIOUSNESS OF THIS FULL-HOUR DISCUSSION WITH STROUGAL. IT SEEMS TO US THAT HIS PRESENTATION WAS PROBABLY AS POSITIVE AS WE COULD HAVE HOPED FOR AT THIS POINT. GOC IS WELL AWARE OF UNCERTAINTIES INVOLVED IN PROMISES BY TWO SENATORS THAT THEY WILL ATTEMPT TO PROMOTE A SOLUTION. CZECHOSLOVAK DESIRE TO GET THE DISCUSSIONS INTO OFFICIAL CHANNELS IS ALSO NOT SURPRISING. STROUGAL'S ADMISSION THAT THE AMOUNT OF PAYMENT IS NEGOTIABLE, AS WELL AS HIS CONSTANT REFERENCE TO NEGOTIATION
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AND RENEGOTIATION, APPEAR TO US TO REPRESENT A DISTINCT STEP FORWARD.

9. STROUGAL DID NOT SPECIFICALLY SAY THAT GOC WOULD NOT DEAL FURTHER WITH SCOTT. HOWEVER, EMBASSY FEELS THAT DEPARTMENT SHOULD PASS GIST OF STROUGAL'S COMMENTS TO SCOTT, WHO WE BELIEVE HAS CONSISTENTLY BEEN CANDID IN HIS DEALINGS WITH US.
BYRNE

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